



Summer 2002

Presentation to
Indiana Utility Regulatory Commission
May 10, 2002

2001 Summer Peak

■ 1,047 MW

- ✓ HE 17:00 on August 8, 2001
- ✓ Record peak for Hoosier member load
- ✓ Prior peak of 1,040 MW - set in July 1999

Projected Summer Peaks (MW)

Load	Jun	Jul	Aug
Members	1,014	1,088	1,052
WVPA	182	212	212
EKPC	50	50	50
Troy Municipal	2	2	2
Unit Sales	400	400	400
10% Reserve	<u>125</u>	<u>135</u>	<u>132</u>
Total Requirement	1,773	1,887	1,848

Projected Resources (MW)

Resource	Jun	Jul	Aug
Base Generation	1,248	1,244	1,242
Fixed Price Contracts	<u>525</u>	<u>643</u>	<u>606</u>
Total Resources	1,773	1,887	1,848

Projected Resources

■ Base Generation

- ✓ Major outage at Merom 2 this spring
- ✓ Expect all Merom and Ratts units to be fully operational by June 9

Projected Resources

■ Fixed Price Contracts

- ✓ Hoosier has entered into a contract with its marketing partner to satisfy peaking requirements.

■ Worthington Generation LLC

- ✓ Entire output (174 MW) has been classified as a MISO “designated” resource - highest level of firm service

Risk Management Strategies

- **Williams Agreement**
- **Unit Contingent Insurance**
- **Temporary Cooling Towers**
- **Summer Preparation Outages**
- **Unit De-rate Risk Management**

Williams Agreement

- **1999 - 2003**
- **Provides all capacity and energy shortfall beyond existing generation capability**
- **Manages volume variance**
- **Manages price variance**
- **Hoosier retains operating risk**

ACE USA (Cigna)

- **Unit contingent insurance**
- **Covers 12 months**
- **\$100 per MWh strike price**
- **300 MW per Merom unit**
- **125 MW per Ratts unit**

Cooling Towers

- **Leased for the Ratts units**
- **Removes risk of plant de-rates due to river temperatures**

Summer Preparation Outages

- **Schedule unit outages to prepare for summer operation**
- **Air heater cleaning, condenser cleaning, etc.**

Unit De-Rates

- **Normal Range of 20 to 50 MW**
- **Primary causes:**
 - ✓ condenser pluggage
 - ✓ turbine back pressure
 - ✓ air heater pluggage
 - ✓ fuel related
 - ✓ thermal limits

Products to Cover Unit De-Rates

■ 20 MW call on Worthington

- ✓ Part of Williams Agreement
- ✓ Estimated variable cost < \$45 per MWh

■ 30 MW call

- ✓ market product at fixed strike price
- ✓ supplied from various sources but likely from within ECAR

Distributed Generation Project

- **30 MW installation**
- **Diesel unit power modules 1.5 - 1.8 MW each**
- **Placed at Hoosier's existing Fairview and Midway substations**

Transmission Status

- **Under normal operating conditions, transmission constraints are not expected on Hoosier system.**
- **Upgrade of Bloomington 345/230 kV transformer completed late summer 2001**

Midwest ISO

- **Will improve overall reliability of transmission system**
- **No impact on Hoosier's resource mix for Summer 2002**
- **Experiencing some problems; coordination with utilities is necessary to resolve**

Substation Status

■ Since summer of 2001:

- ✓ Increased capacity in 10 substations
- ✓ Built 3 new substations (to serve increased member load)

Efforts to Reduce Outages

- **200 miles and 1,500 acres of right-of-way maintained in 2001**
- **Convert microwave communications system from analog to digital**
 - ✓ 3 year program
 - ✓ clearer, more error free transmissions
 - ✓ increase reliability

Tracking Outages

- **Members are responsible for end-use customers**
- **Hoosier identifies and tracks at the substation level**
- **Joint communication procedures in place to relay information to members and the public**